The Peninsula
Times Tribune
Monday, June 1, 1981

Photos courtesy of Source 2 International

Around the nation, field offices for Source 2 International — such as the one in Santa Clara (above) — receive buyer inquiries and instantaneously respond with information on the availability and prices of electronic parts, according to Source 2 President Robert A. Solomon (inset).

If firms wish to move electronic parts...

By Jim Leeke
Times Tribune staff

SANTA CLARA — In what could be called "love at first byte," companies needing electronics parts fast and others wanting to dispose of theirs are brought together by Source 2 International, a business similar to a computer dating service.

Source 2 recently inaugurated the "International Components Exchange," a computerized listing of sellers of excess electronics parts inventory. Exchange members in need of inventory receive the names of the firms selling such parts at the lowest price.

Robert A. Solomon, Source 2 president, said the firm's computer center here has a capacity of 50 million bytes of data, enough to store information on all the world's parts.

Source 2 presently lists only four types of parts (integrated circuits, capacitors, transistors and diodes), but plans eventually to list all electrical and mechanical parts used in electronics maufacturing.

Solomon and Vice President Kirk Jensen founded Source 2 a year ago after raising $2 million from venture capitalists in nine weeks. The components exchange, however, wasn't ready to open until April.

The pair had spent more than a year studying the excess inventory market while still working for a San Jose electronics firm. What they discovered was that it was disorganized and wasteful.

Often a purchasing agent in a hurry for parts called colleages to see if they had any. If they didn't, he sometimes went to brokers who sold at a premium after having bought the parts for very little.

"Most companies sold excess for 10 cents on the dollar," Solomon said. Brokers and scrap dealers "would buy the stuff almost by the pound rather than the part number."

But sellers on the exchange can get perhaps 60 to 80 cents on the dollar for their excess. Source 2 only brings the buyer and seller together and does not buy, stock or price parts. Its profit comes by charging the seller a fee of 10 percent of the purchase price.

The fee is paid only after the completion of a sale, which is negotiated by the buyer and seller themselves. "A buyer could call in (to the computer) 100 times a day and never be charged anything," Solomon said.

The exchange, which opened April 1 with 100 members, is "a closed service among blue-chip companies only," he said. Among the members (which now number 150, with a goal of 1,000 by year-end) are Xerox, Exxon and Honeywell. Brokers and speculators are specifically excluded.

The firm now has regional sales offices in Irvine, Burlington, Mass., and Roseland, N.J., and has plans for one in Chicago. About 20 of its 50 employees are based in Santa Clara.

Business so far has been "outrageously good," Solomon said.

Business is good during the recession because companies anxious to sell inventory can find buyers looking for bargains. When sales in the electronics industry improve again, firms will turn to the exchange for quick delivery or for parts not available localy because of shortages, he predicted.